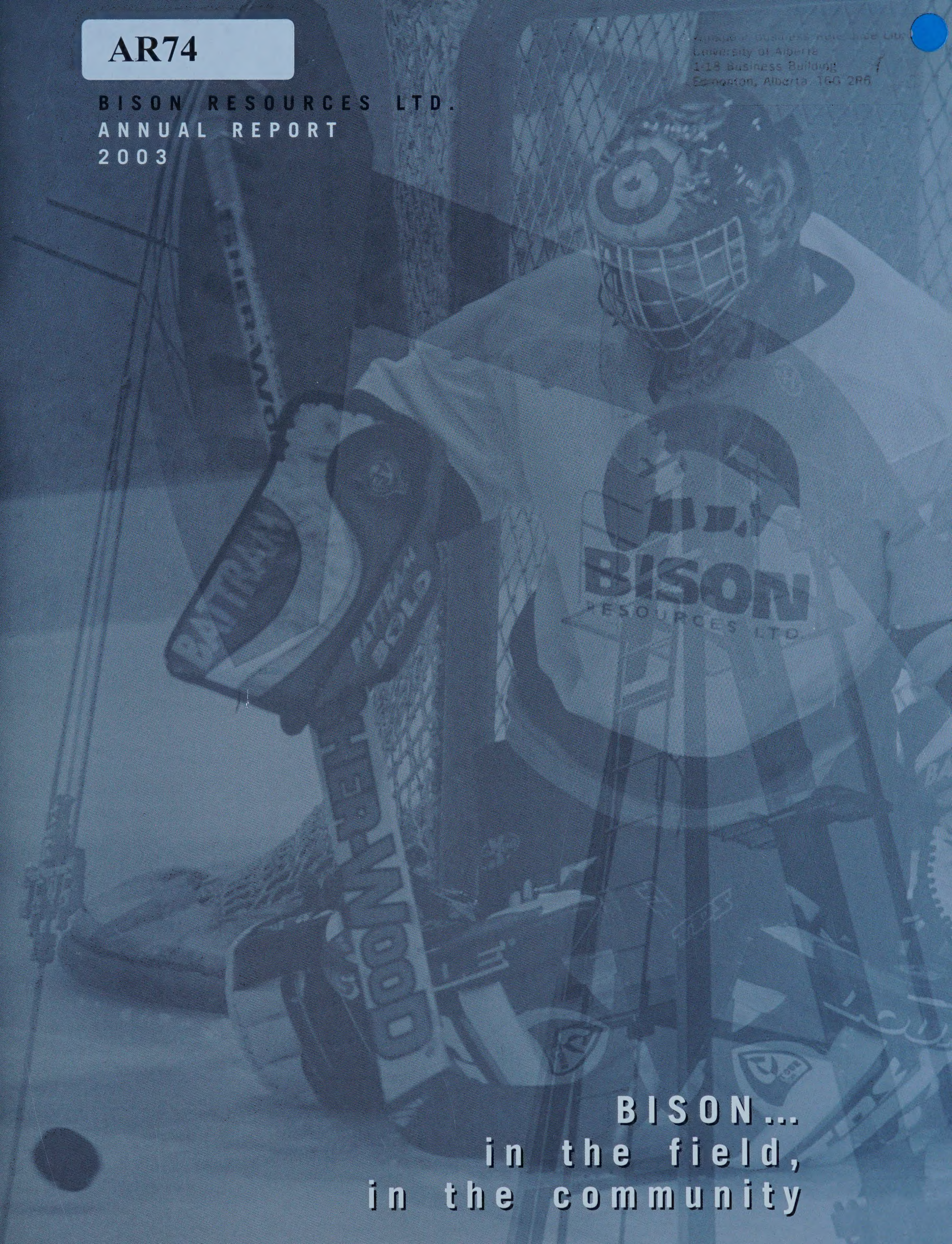
BISON RESOURCES LTD.
ANNUAL REPORT 2003



BISON...
in the field,
in the community

BISON
RESOURCES LTD.

CORPORATE PROFILE

Bison Resources Ltd. is an oil exploration and production company with focused operations in southeast Saskatchewan. Bison maintains 100 % working interest in its producing properties and facilities, thereby streamlining the decision making process and minimizing administrative overhead. Bison's management team is committed to achieving steady growth and increasing the asset value of the company, which in turn allows it to make a positive contribution to the community in which it operates by way of employment opportunities and sponsorships of local sports and cultural activities. Bison's common shares trade on the TSX Venture Exchange under the symbol **BIS.A**.

Pictured on the front cover is a member of the Weyburn Bisons hockey team sponsored by Bison Resources Ltd. The Weyburn Bisons had a very successful 2003-2004 season winning both the South Central Minor Hockey League Championship and the Saskatchewan Hockey Association Bantam A Tier II Provincial Championship.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of Bison Resources Ltd. will be held at the Ramada Hotel, Chianti Room, 708 – 8th Avenue SW, Calgary, Alberta on Thursday June 24, 2004, at 11:00 a.m. (Calgary time). Shareholders are encouraged to attend and those unable to do so should complete the Form of Proxy and forward at their earliest convenience.

Bison recorded a fifty percent increase in daily production over its 2002 level, clear evidence that the company's drilling program is achieving results. This becomes even more apparent when one accounts for the natural decline in production that occurs in southeast Saskatchewan. In order to sustain the same level of growth for 2004 Bison is looking to add almost 900 boepd of production. Bison is confident that it has sufficient geological expertise and financial resources to achieve this target by continuing to do what it does best – drill for oil.

2003 HIGHLIGHTS

Oil production		457,755 bbls
Natural gas production		15,496 mcf
Average daily production		1,262 boepd
Cash flow from operations	$	9,483,831
Average sales price	$	37.55 per boe
Royalties	$	7.58 per boe
Operating costs	$	5.15 per boe
Netback	$	24.82 per boe
General and administrative expenses	$	2.17 per boe
Interest charges	$	1.03 per boe
Capital taxes	$	1.04 per boe
Cash flow from operations	$	20.60 per boe
Net income	$	2,783,046
Net income per share (fully diluted)	$	0.23
Capital expenditures	$	15,668,447
Oil reserves		2,710,000 bbls
Natural gas reserves		312,000 mcf
Undeveloped land		23,624 net acres
Working capital (deficit)	$	(13,977,579)

ABBREVIATIONS

bbl	Barrel
boe	Barrel of oil equivalent (6 mcf of natural gas = 1 bbl of oil)
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
mcf	Thousand cubic feet
mcfd	Thousand cubic feet per day

Steadfast in its execution of its business plan in 2003, Bison Resources Ltd. remained focused on its established areas in southeast Saskatchewan. Bison's propensity for maintaining a 100% working interest in solid properties that offer drilling opportunities and accessibility to infrastructure resulted in significant growth by all measures. Concentrated in highly drilled areas, Bison places a large emphasis on its geological interpretations. With drilling entirely responsible for production gains each well drilled adds to Bison's knowledge, thereby giving Bison the ability to recognize, and to focus on, the most productive horizons. The resulting growth of the company affords management the opportunity to perform some limited armchair geology with different geological concepts and validate them with the drill bit.

REPORT TO SHAREHOLDERS

Bison's goal of developing core properties while adding new areas remains constant. As is often the case in the oil industry, work performed in one area leads to curiosity about other areas, and in 2003 new prospects were found which have been tested and may lead to larger programs in the future.

Each year establishes new highs for Bison, and in 2003 twenty six wells were drilled; all but two completed as oil wells. Of the ten horizontal wells drilled, nine were multi-leg Mississippian Formation horizontals, and one was a four-leg Devonian test. Of the fourteen vertical completions, one deep well increased the size of the Duperow pool and the balance of the wells were Mississippian Formation completions.

Three of the horizontal wells were drilled at Hume to fully develop the Midale Formation, two were drilled at Griffin to add final definition to that pool, one well at Viewfield encountered the attic of a structure on the flank of the Viewfield astrobleme, and at Midale a deep four-leg Duperow test and a three-leg Midale Formation well were added. Most notable of the horizontals were two multi-leg wells drilled at Bison's new area of Steelman. The porosity encountered was the best ever for Bison and this success leads to new locations being developed.

In addition to the three vertical Mississippian test wells drilled at the new Steelman property, Bison drilled five vertical wells at Viewfield with the balance of vertical wells dispersed in all of the established areas of the company. In an attempt to test a new area west of its current properties, Bison drilled a shallow Mississippian test that unfortunately was dry and abandoned. One vertical was drilled into the Devonian Duperow zone at Midale and has helped to both increase the size of the pool and offer some further geological information that may be helpful in delineating other prospects.

In the fourth quarter Bison added to its momentum in the Viewfield area by drilling a deeper pool test for Devonian potential. While the initial completion of the well in the Devonian Birdbear Formation was most encouraging, the rapid production of water suggested that the pool was of limited extent. However, the information gained in the well lead to the completion of an upper zone and the prospect of more locations in the immediate vicinity. Bison determined that there are two very good potential horizons capable of light gravity oil and embarked upon a lease acquisition program on the perceived geological trend. The plan calls for additional drilling and the construction of another battery in this area.

Bison recorded a fifty percent increase in daily production over its 2002 level, clear evidence that the company's drilling program is achieving results. This becomes even more apparent when one accounts for the natural decline in production that occurs in southeast Saskatchewan. In order to sustain the same level of growth for 2004 Bison is looking to add almost 900 boepd of production. Bison is confident that it has sufficient geological expertise and financial resources to achieve this target by continuing to do what it does best – drill for oil. We appreciate the support that our shareholders maintain for our company and we will endeavor to continue producing positive results in the future.

N Swagor

Nicolas S. Swagor
President

The following management discussion and analysis (MD&A) is a narrative explanation of how Bison Resources Ltd. performed during the period covered by the financial statements and of Bison's financial condition and future prospects. The MD&A compliments and supplements the financial statements, but does not form part of the financial statements. This MD&A dated May 6, 2004 has been prepared using information available up to this date. Every effort has been made to ensure the disclosure in the MD&A is current as of the date it was filed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND EXPLORATION STRATEGY

Having achieved a fair measure of success in southeast Saskatchewan Bison is committed to the further pursuit of prospects in that area for the foreseeable future. For Bison the area provides an abundance of opportunity in bypassed pay and ignored potential zones. Bison anticipates increased activity and a more competitive environment given the robust oil market and the nature of the reserves found in the area. Bison's challenge will be to stay ahead of the competition in delineating potential trends and acting before others have reason to enter a play. Of course the inherent risk will rise and we can expect downward pressure on drilling success rates. In addition with increased activity we can also expect increased finding costs attributable to higher land sale premiums and drilling and completion costs. By continuing to monitor drilling and completion costs utilizing close industry affiliations Bison anticipates that it will be able to maintain acceptable finding and development costs. Further, the ongoing strong commodity price trend will help to maintain the economic viability of even low production wells. Bison will also maintain its competitive advantage through minimal administrative overhead ensuring ongoing profitability and a reasonable return on invested capital.

Bison added significantly to its land base in 2003 with an increase in total net acreage to 34,006 acres. The undeveloped acreage rose only marginally by an increase of 1,265 acres, reflecting Bison policy of only buying quality lands deserving of drilling activity. Newly acquired lands are never expected to remain in inventory for a long period of time. Although the size of Bison now affords some flexibility in creating an inventory of prospective lands which can be drilled in the future, the company will still try to maintain a relatively low amount of undeveloped acreage, in consideration of the time value of money.

Bison's emphasis will continue to be on higher production type wells, either through horizontal drilling or by targeting the higher productive reservoir type rock. That usually means drilling the higher "water cut" wells since greater productivity of oil is often derived from the greater reservoir drive provided by underlying aquifers. Having grown accustomed to that type of production Bison will continue to construct new batteries and facilities capable of handling large volumes of emulsion and preferably having sales pipeline connections. Any new construction will take into account the inevitability of a future penalty associated with gas flaring and Bison will try to achieve as much conservation of solution gas as possible. Bison anticipates future gas sales at the new Steelman battery for gas that might otherwise be burnt through flare stacks adding revenue while benefiting the environment.

In 2003 sixty percent of the wells drilled were vertical tests as Bison looked for new pools, while the horizontals drilled helped to achieve higher production rates and recover the maximum amount of oil from reservoirs. Bison will place less emphasis on horizontal drilling in the next year as it currently is in negotiations on lands requiring drill to earn provisions. In such cases the initial wells are usually vertical tests that will lead to horizontal drilling for exploitation purposes. Bison anticipates construction of at least one battery at Viewfield.

OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003

Strong commodity price trends coupled with a need to fulfill various contractual obligations dictated that 2003 would be a busy year for drilling. Bison commenced its drilling program at Hume where it drilled an additional three horizontal wells into the Midale Formation. The prospect was acquired as an exploitation opportunity to re-establish production from a shut-in property that had been developed in the 1970's with vertical wells. Land issues had caused the wells to be suspended and Bison sought to return the field to production by drilling new horizontal wells. Although the wells were drilled into very porous carbonates that were richly oil stained, subsequent production yielded uncharacteristically large quantities of fresh water which were determined

to have come from uphole zones through leakage in old wellbores. In an attempt to shut off some of the water Bison acquired the old wellbores and attempted remedial cement squeezes but with only minor success. The resultant production fell short of company expectations and although profitable the property does not warrant any further work.

At Griffin Bison pushed the limits of its previously discovered pool by drilling two additional horizontal wells encountering Frobisher Formation pay sections in favorable structural positions. A third well drilled vertically to establish a more northerly extent of the pool was unsuccessful and abandoned. Since the nature of the reservoir causes production with high water cuts, a low producing vertical well was converted into a water disposal well and a new battery with a sales pipeline connection was completed in June. With adequate access provided by all weather roads the Griffin battery is useful as both a treating facility for minor producing properties and as an alternate second shipping terminal for company production. Bison has identified at least one more vertical and one horizontal location which could be drilled in the future. Since the current wells are not being produced at their maximum possible rates, there also exists the possibility of optimization through higher volume lift systems. The facilities are in place to handle considerably more fluids and Bison will evaluate its options after monitoring production.

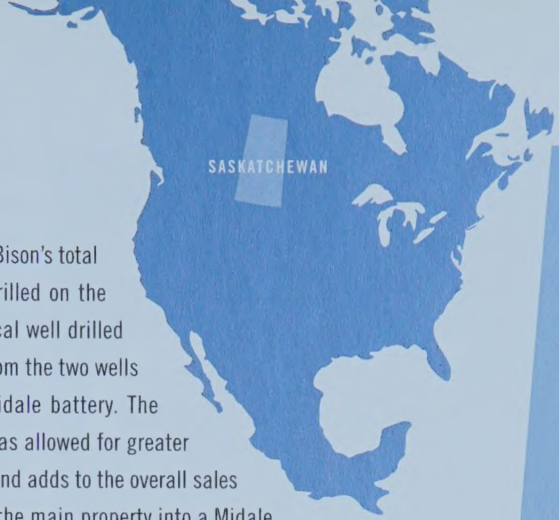
At Midale Bison followed up its Duperow discovery of 2002 by drilling a four-leg horizontal well into the same zone. The well has production capability in excess of 150 bopd with no water and coupled with the original discovery well provided enough light gravity oil to lighten the entire stream from the Midale battery. Late in the year another vertical well was drilled and completed into the Duperow pool with similar production characteristics and sufficient encouragement has lead Bison to plan a fourth well to be drilled horizontally in early 2004. Gas separation equipment had to be installed upstream of the main battery to eliminate the chilling effect of the gas on the treater. Offsetting lands have been drilled by a competitor and Bison has entered a data exchange process to assist in the development of the pool to maximize recovery. South of the main Midale pool Bison drilled two vertical wells and one horizontal well into the Midale Formation and completed all three wells. The low permeability of the wells causes production rates to be low, albeit with negligible water production. Bison is currently considering some further production enhancement which will be undertaken in mid 2004.

At East Huntoon Bison drilled three vertical wells to test the Midale and Frobisher Formations. All wells encountered oil and were completed. Unfortunately the initial encouragement from a production perspective has faded and each well remains capable of production rates in the order of 8-10 bopd. As such Bison will not devote further capital or effort to this prospect at this time.

One of the new areas Bison is focusing on is at Viewfield where Bison purchased separate interests in a quarter section of land and three old well bores that had been shut in for seventeen years. Bison reactivated the wells and collectively they had a demonstrated capability of 60 bopd. The encouragement lead to the drilling of a vertical test on the remaining spacing unit which responded as though it had been a virgin reservoir, producing 85 bopd at low water cuts. A horizontal well was drilled and a very structurally high closure was encountered with a response much like the vertical well. Through time the water cuts have risen but Bison has maintained a restricted production scenario for both wells and consequently the annular fluid levels are high. With connection to proper facilities all of these wells could be optimized and Bison feels that the sustained productive capability would exceed 250 bopd. In an effort to develop more production in the area Bison developed other prospects and subsequently acquired additional mineral rights. Four additional wells were drilled, two deeper tests that evaluated the Devonian Birdbear Formation with one successful oil completion in that zone and the other with a success in a shallower zone. Two other shallower Mississippian tests that evaluated the erosional subcrop edge of the Frobisher Formation have been completed with clean light gravity production. The overall success has now lifted Viewfield above the required threshold for a battery and construction will take place in the second quarter of 2004. Viewfield has all of the promise of becoming a very significant core property for Bison.

A small land acquisition in the second quarter of the year lead to the drilling of three vertical wells at Steelman. The multizone wells were all completed as oil wells and yielded high quality light gravity crude. In comparison with offsetting production the zones of interest looked comparable and Bison drilled two horizontal completions in the last quarter of the year. The highest rates of penetration ever drilled by Bison yielded exceptional reservoir rock and initial flows of the first horizontal approached 1,000 bopd. While not a sustainable rate, the mere fact that the wells were capable of producing that much fluid was very encouraging and Bison laid out plans for further development with additional horizontal wells and a battery to follow. The presence of large volumes of gas suggests that there may be additional motivation for gas collection and sales which adds to the overall economic performance of the property. Bison will apply itself to developing additional opportunities in the immediate area.

PRINCIPAL PROPERTIES

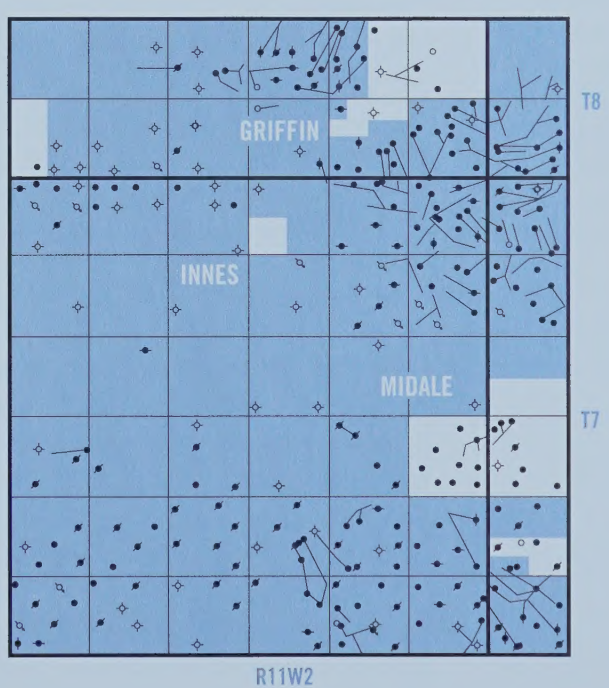


Midale, Saskatchewan

The greater Midale area accounted for 20% of Bison's total drilling in 2003. The two significant wells drilled on the Midale property were a horizontal and a vertical well drilled into the Duperow Formation. The production from the two wells has added almost 300 bopd through the Midale battery. The changeover from medium to light stream oil has allowed for greater flexibility of shipping down the sales pipeline and adds to the overall sales price. Three wells were drilled to the south of the main property into a Midale Formation play. The production is a good quality oil but low inflows do not make pipeline connection to the main battery economic. Some form of production enhancement will be undertaken in the future. The total producing well count at Midale is now at nineteen wells, with the possibility of adding at least one more Duperow test and additional Mississippian horizontal wells. One of the more interesting developments of the year was obtaining production from the Bakken Formation that had been perforated and subsequently fracture stimulated. A high quality 43 degree gravity oil has been produced at flat rates of 13 bopd for over four months and well bore measurements indicate that the rate could easily be doubled with the installation of larger pumping equipment. While not a formidable producing zone in the area, the geological mapping suggests that the zone exists across at least one section of company lands. With further production monitoring Bison may drill one or two more tests into this zone in the next year. The only major equipment modification at Midale was the installation of gas separation equipment to remove the gas from the Duperow producing wells before it reached the treating facility. Lower temperatures resulting from the gas expansion proved to be detrimental to the efficient operation of the treater, thereby reducing its throughput. Total production of oil from the Midale wells averaged 506 bopd, with exit production of 710 bopd, up 55% from 2002 production.

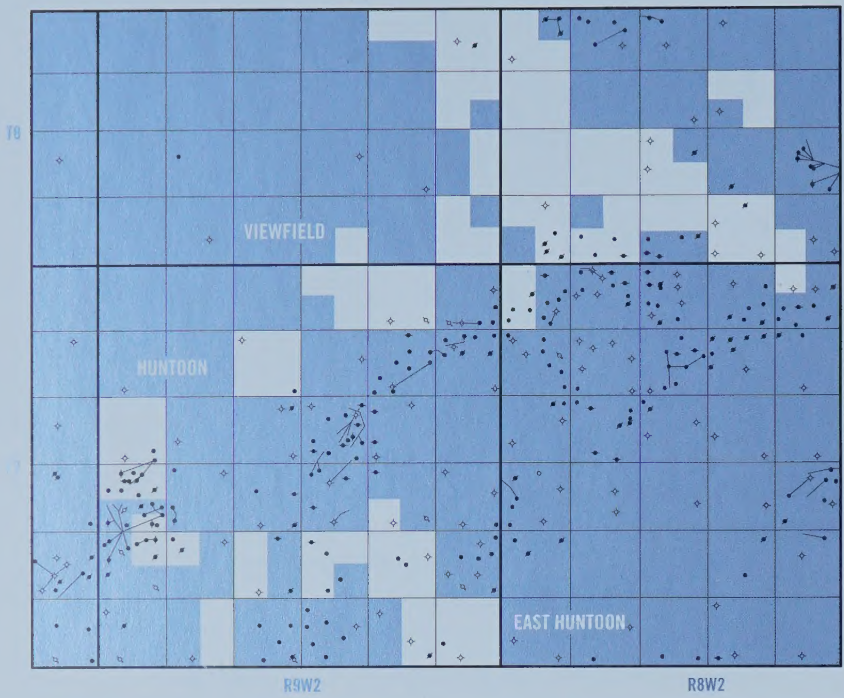
Griffin, Saskatchewan

At Griffin Bison drilled an additional three horizontal oil wells and one vertical abandonment. A new battery complete with pipeline connection was placed onstream in June and the battery was set up to act as an alternate trucking terminal for Bison single well batteries in the greater area. One previously completed vertical well was converted into a water disposal well to facilitate production from the existing five producing wells. Not all of the wells currently tied into the facility are being produced at their highest possible rates but Bison will monitor production and make rate adjustments as is deemed practical. Bison has acquired small blocks of land at Griffin and identified one vertical and one horizontal location for future drilling.



Hume, Saskatchewan

At Hume Bison drilled three additional horizontal wells to fulfill its drilling obligation and to completely develop the Midale Formation pool. Two of the horizontals have production performance as predicted, however the other two wells have been underachievers. Attempts to reduce water production from those two wells have met with marginal success. Effective February 1, 2004 Bison sold all of its interest in Hume for $1,275,000 prior to adjustments.



Huntoon, Saskatchewan

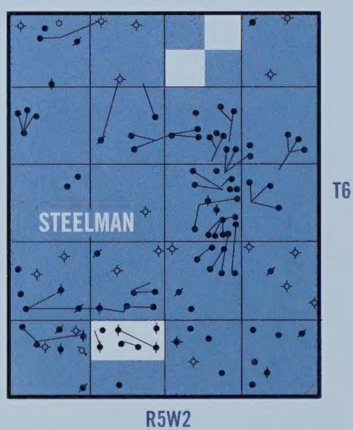
Huntoon remains as the second largest property with an average production of 209 bopd. All of the wells have a natural decline; however, there remain optimization opportunities in several wells through higher volume lift and stimulation by acid treatments. Bison has undertaken both and production increases from the first well treated with acid resulted in the daily rate rising from 3 bopd to 18 bopd, the rate at which the well came onstream four years earlier. Four other candidates for similar treatments will be tested in mid 2004. Bison does not have any drilling plans for the ensuing year. The Huntoon battery serves as a process facility for single well batteries in the greater area.

- Gas
- Suspended Gas
- Suspended
- Abandoned Gas
- Location
- Oil
- Suspended Oil
- Injection
- Service
- Dry and Abandoned
- Abandoned Oil
- Bison

Viewfield, Saskatchewan

With the initial success of reactivating three wells and drilling the vertical and horizontal wells at Viewfield, Bison commenced a leasing program in the area and is currently expanding its geological understanding of the productive horizons. With the proximity of a meteorite impact crater there are structural and stratigraphic complexities that are not fully explored and there is room for development of small but prolific pools. Bison had eight producing wells at year end and subsequent drilling has added an additional three producers. There is multi-zone potential ranging from the Mississippian to Devonian age strata, all of which have been tested in company wells with subsequent production. Bison has sufficient productive capacity in the area to construct process facilities and an oil sales pipeline connection has been tentatively located. Battery construction will take place in the second quarter 2004. Bison anticipates the Viewfield area will be a focus of attention in the immediate future with as many as fifteen vertical wells to be drilled in 2004. Production averaged for the year was 156 bopd, but currently is at 261 bopd and is expected to increase as drilling continues. Viewfield is now the second most important area for Bison when considering the upside potential of the new drilling prospects and current production; consequently a major effort will be extended to fully develop the area in the near future.

Steelman, Saskatchewan



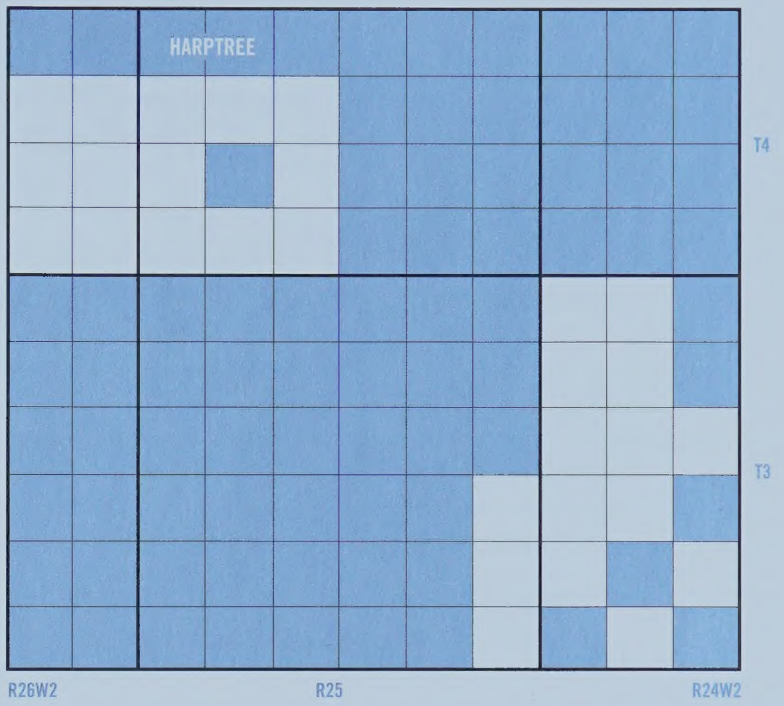
The Steelman area was initiated through the search for highly productive pay zones in the proximity to Bison's existing land base. The first acquisition of land was from a crown sale where a half section of mineral rights were acquired and the drilling of three wells confirmed high quality reservoir rock in three different zones within the Frobisher Formation. The success with the first production caused Bison to follow up the discovery with two horizontals encountering continuous heavily oil stained porosity. Completion of those two wells resulted in extremely high production rates and the wells were placed onstream producing high quality 37 API degree oil. Subsequent to year end Bison drilled two additional horizontal wells and has the ability to add further locations on the existing land in zones other than the current deepest producing horizon. The construction of a battery complete with a sales line connection and water disposal now places Bison in a position to maximize the potential of the prospect. Low sulphur gas produced with the oil will be collected and sold via a third party sales line and Bison expects those sales to more than cover the operational costs of the battery and attendant wells in the new year. Additional lands have been acquired in close proximity to Steelman and drilling will commence on those lands in mid 2004.

EXPLORATORY LANDS

In a departure from its philosophy, Bison believes it has reached a size whereby it is advantageous to step out into more remote areas to explore for hydrocarbons. Bison will devote only a small portion of its capital budget to this type of drilling and prospects with more long term potential will be investigated. Bison will also evaluate and try to create prospects in the deeper zones around established oil prone properties and expects to drill at least two deeper plays in 2004.

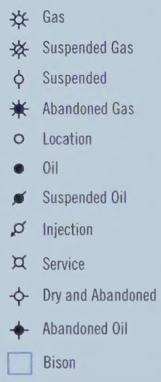
Harptree, Saskatchewan

Mineral rights were secured on fifteen sections of crown lands in 2002 and plans are underway to evaluate the lands for potential shallow gas. Bison has picked four locations which will be drilled to depths of approximately 850 meters. Gas infrastructure in the area is not currently present but the recent industry activity in both drilling and land sale postings in the area is indicative of the interest to evaluate and develop its long life reserves. There are still vast tracts of crown lands available and Bison has been able to purchase an equivalent amount of land at a more recent crown sale. Well information is sparse but generalizations drawn from the regional geological picture suggest the potential for multizone completions.



PRODUCTION

Bison's average daily production for the year ended December 31, 2003 was 1,262 boepd (comprised of 1,254 bpd of crude oil and ngl and 42 mcfd of natural gas) as compared to 828 boepd (comprised of 819 bpd of crude oil and ngl and 52 mcfd of natural gas) for the year ended December 31, 2002; an increase of 433 boepd (53%) in Bison's average daily production. This increase is attributable to new production from twenty nine new oil wells drilled and/or brought onto production during the year. Bison ended the year with daily production of 1,692 boepd during the month of December 2003, an increase of 640 boepd over daily production of 1,052 boepd during the month of December 2002. The following table sets forth the Corporation's production by area for three most recently completed financial years.



	2003		2002		2001	
	BOE	**BOEPD**	BOE	BOEPD	BOE	BOEPD
Midale, Saskatchewan	**184,806**	**506**	166,802	457	107,694	295
Huntoon, Saskatchewan	**76,293**	**209**	113,945	312	64,772	177
Griffin, Saskatchewan	**59,422**	**163**	10,271	28	10,998	30
Viewfield, Saskatchewan	**56,774**	**156**	–	–	–	–
Hume, Saskatchewan	**42,500**	**116**	846	2	–	–
Steelman, Saskatchewan	**28,381**	**78**	–	–	–	–
Nelson, Alberta	**4,262**	**12**	3,773	10	415	1
East Huntoon, Saskatchewan	**4,221**	**12**	1,754	5	–	–
Wordsworth, Saskatchewan	**3,334**	**9**	3,308	9	3,696	10
Hillsdown, Alberta	**344**	**1**	822	3	1,361	4
Wilmar, Saskatchewan	–	–	196	1	301	1
Total	**460,337**	**1,262**	301,717	828	189,237	518

RESERVES

Bison's oil and natural gas reserves have been evaluated as at January 1, 2004 by Martin Brusset Associates (MBA) using the new requirements and standards for disclosure by reporting issuers engaged in oil and gas activities set out in National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" (NI 51-101). The following table summarizes MBA's evaluation of the oil and natural gas reserves and the future cash flows attributable to Bison's interests in the East Huntoon, Griffin, Hume, Huntoon, Midale, Steelman, Viewfield and Wordsworth areas in Saskatchewan and the Nelson gas well in Alberta:

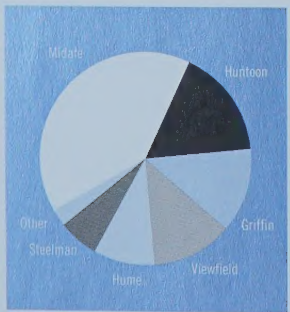
	Reserves		Discounted Value of Estimated Future Net Revenues		
	Crude Oil (bbls)	**Natural Gas (mcf)**	**0%**	**10%**	**15%**
Proved Developed Producing	1,150,000	135,000	$ 16,365,000	$ 14,136,000	$ 13,337,000
Proved Developed Non-Producing	36,000	0	$ 361,000	$ 228,000	$ 184,000
Total Proved	1,186,000	135,000	$ 16,726,000	$ 14,363,000	$ 13,521,000
Probable Developed	1,328,000	98,000	$ 15,978,000	$ 9,597000	$ 8,095,000
Probable Undeveloped	196,000	80,000	$ 1,414,000	$ 892,000	$ 695,000
Total Probable	1,524,000	177,000	$ 17,392,000	$ 10,489,000	$ 8,790,000
Total Proved + Probable	2,710,000	312,000	$ 34,118,000	$ 24,852,000	$ 22,311,000

The following table provides a summary of the changes in Bison's crude oil and natural gas reserve estimates which occurred in the most recent fiscal year. The table compares proved plus probable reserves as at January 1, 2004 evaluated under NI 51-101 to proved plus half probable reserves as at January 1, 2003 evaluated prior to NI 51-101.

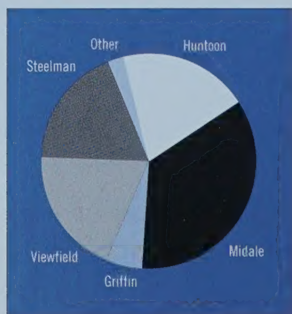
Although the Canadian Securities Administrators believe that "a significant reduction in reserves cannot properly be attributed to NI 51-101 or the new reserves definitions as such and that Section 6.5 of the Canadian Oil & Gas Evaluators Handbook explains that any difference in reserves as a result of the implementation of the new reserves definitions should not be significant", Bison's management is unable to offer any other explanation for the reserve revisions.

	Crude Oil (bbls)			Natural Gas (mcf)		
	Proved	**Probable**	**Proved + Probable**	**Proved**	**Probable**	**Proved + Probable**
As at December 31, 2002	1,919,000	1,002,000	2,921,000	86,000	–	86,000
Development, exploration and exploitation	636,264	809,000	1,445,264	90,000	177,000	267,000
Property acquisitions (dispositions)	17,489	–	17,489	(84,314)	–	(84,314)
Reserve revisions	(928,997)	(287,000)	(1,215,997)	58,810	–	58,810
Production	(457,756)	–	(457,756)	(15,496)	–	(15,496)
As at December 31, 2003	**1,186,000**	**1,524,000**	**2,710,000**	**135,000**	**177,000**	**312,000**

Oil and Natural Gas Production
BOE



Oil and Natural Gas Reserves
BOE



Reserve volumes are before the deduction of royalty interests and Discounted Value of Estimated Future Net Revenues are calculated from the estimated future net production revenues net of royalties, operating costs and future development costs and prior to any provision for income taxes, overhead and interest costs. It should not be assumed that the discounted value of estimated future net production revenues is representative of the fair market value of the estimated oil and natural gas reserves. The forecast prices used in the evaluation was based on MBA's interpretation of future oil and gas prices as appear likely from movements in world oil and gas prices. Oil prices for individual pools are based on published prices which vary with oil gravity and sulphur content. Future prices increase according to the reference price schedule, adjusted by the difference between the current price and the reference price. Gas prices were based on an assessment of likely prices for each major gas purchaser in Canada and vary with the cost of service. Bison's complete "Statement Of Reserves Data And Other Oil & Gas Information" (Form 51-101F1) filed under NI 51-101 is available to the public on the SEDAR website at www.sedar.com.

DRILLING ACTIVITIES

The following table sets forth the number of wells drilled by Bison during the two most recently completed financial years. "Gross" wells refers to all wells in which the Corporation has a working interest while "Net" wells refers to the aggregate of the percentage working interest of the Corporation in the gross wells before royalties.

	2003 Gross	**2003 Net**	2002 Gross	2002 Net
Crude oil	**24**	**24**	14	13.6
Natural gas	–	–	–	–
Service	–	–	–	–
Dry and abandoned	**2**	**2**	–	–
Total	**26**	**26**	14	13.6
Success ratio		**92%**		100%

FINANCIAL HIGHLIGHTS

The following table sets forth certain financial information of the Corporation for the three most recently completed financial years.

Year ended December 31	**2003**	2002	2001
Total revenue (net of royalties)	**$ 13,807,398**	$ 8,335,195	$ 4,005,923
Earnings before interest, income taxes, depreciation, depletion and amortization and accretion	**$ 10,437,502**	$ 6,613,025	$ 2,492,288
Net income	**$ 2,783,046**	$ 2,927,098	$ 569,320
Net income per share	**$ 0.24**	$ 0.26	$ 0.05
Net income per share (fully diluted)	**$ 0.23**	$ 0.24	$ 0.05
Total assets (net)	**$ 29,410,307**	$ 18,961,788	$ 10,346,723
Working capital (deficit)	**$ (13,977,579)**	$ (7,880,463)	$ (4,632,551)
Shareholder's equity	**$ 9,290,343**	$ 6,419,797	$ 3,394,833
Shares outstanding	**11,556,000**	11,381,000	11,381,000
Shares outstanding (fully diluted)	**12,519,100**	12,519,100	12,464,500

The following two tables set forth certain financial information of the Corporation for the most recent eight quarters.

	Quarter ended March 31		Quarter ended June 30	
	2003	2002	**2003**	2002
Total revenue (net of royalties)	**$ 3,243,839**	$ 1,380,987	**$ 2,739,320**	$ 1,891,803
Net Income	**$ 1,194,162**	$ 340,715	**$ 521,847**	$ 648,189
Net Income per share	**$ 0.10**	$ 0.03	**$ 0.05**	$ 0.06
Net Income per share (fully diluted)	**$ 0.10**	$ 0.03	**$ 0.04**	$ 0.06

	Quarter ended September 30		Quarter ended December 31	
	2003	2002	**2003**	2002
Total revenue (net of royalties)	**$ 3,807,017**	$ 2,306,124	**$ 4,017,222**	$ 2,756,281
Net Income	**$ 707,379**	$ 830,690	**$ 359,658**	$ 1,107,504
Net Income per share	**$ 0.06**	$ 0.08	**$ 0.03**	$ 0.09
Net Income per share (fully diluted)	**$ 0.06**	$ 0.07	**$ 0.03**	$ 0.08

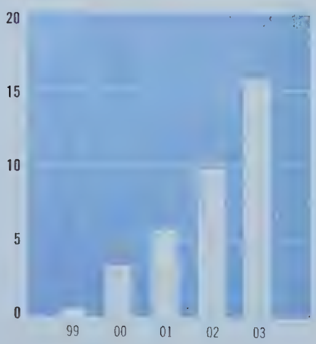
REVENUE & ROYALTIES

Revenues, net of royalties, for the year ended December 31, 2003 were $13,807,398 compared to $8,335,195 for the year ended December 31, 2002. This increase in revenues was the result of the increase of 433 boepd in Bison's average daily production rate and an increase of $2.63 in the average price received per bbl. For the year ended December 31, 2003 Bison realized an average price of $37.54 per bbl for crude oil and ngl and $6.70 per mcf for natural gas compared to an average price of $35.04 per bbl for crude oil and ngl and $3.94 per mcf for natural gas for the year ended December 31, 2002.

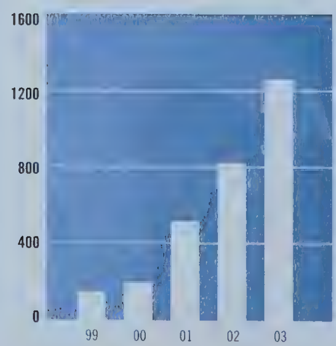
For the year ended December 31, 2003 oil sales of $17,182,511 accounted for 99% while natural gas sales of $103,831 accounted for 1% of the total revenue compared to oil sales of $10,461,312 (99%) and natural gas sales of $74,784 (1%) for the year ended December 31, 2002.

Royalties include payments made to the province of Saskatchewan (crown royalties and freehold production taxes), freehold owners and other third parties. Royalties paid during the year ended December 31, 2003 totaled $3,489,073 (20% of total revenue or $7.58 per boe) compared to $2,218,946 (21% of total revenue or $7.35 per boe) for the year ended December 31, 2002. The increase in total royalties was the result of new production from twenty nine new oil wells drilled and/or brought onto production during the year.

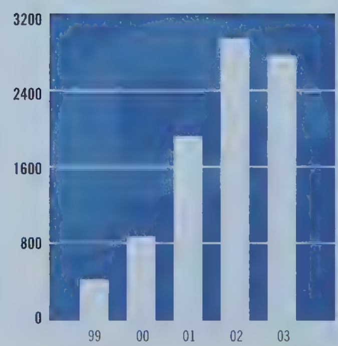
Capital Expenditures
Millions of Dollars



Oil and Natural Gas Daily Production
BOE



Oil and Natural Gas Reserves
BOE (thousands)



PRODUCTION AND GENERAL & ADMINISTRATIVE EXPENSES

Production expenses increased from $993,957 ($4.58 per boe) for the year ended December 31, 2002 to $2,369,718 ($5.15 per boe) for the year ended December 31, 2003. These expenses increased as a result of increased production from the twenty nine new oil wells drilled and/or brought onto production during the year.

Production expenses on a per boe basis increased as a result of extraordinary work (workovers, abandonments, tubing leak repairs, etc.) performed on various wells. The increased production from four new areas without pipeline battery connections also contributed to higher per bbl operating costs prior to the completion of Bison's new battery at Griffin. In addition, extraordinary expenses associated with Bison's only gas property (Nelson) had the effect of increasing the production expenses from $4.86 per boe to $5.15 per boe. Although Bison expects production expenses on a per boe basis to decrease from 2003 levels in the upcoming year, the fact that Bison now has over 60 producing oil wells of various ages means that work such as workovers, abandonments, tubing leak repairs, etc. will become less "extraordinary" in the years to come.

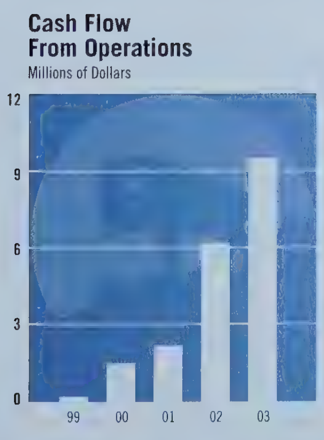
General and administrative expenses increased to $1,000,178 ($2.17 per boe) for the year ended December 31, 2003 from $728,213 ($2.41 per boe) for the year ended December 31, 2002. The increase of $271,966 was mainly due to a $101,621 increase in insurance, a $71,756 increase in salaries, management fees and payroll taxes, a $30,331 increase in engineering services, an $18,940 increase in corporate communications, a $12,635 increase in office rent, an $11,624 increase in information services, a $9,470 increase in bank and finance charges, a $7,302 increase in accounting services, a $4,874 increase in health care benefits, a $3,720 increase in filing and licensing fees, a $2,924 increase in office supplies, a $2,690 increase in travel & transportation, a $1,628 increase in postage and courier, a $1,239 increase in memberships and dues, a $1,740 decrease in land services and a $7,174 decrease in legal fees.

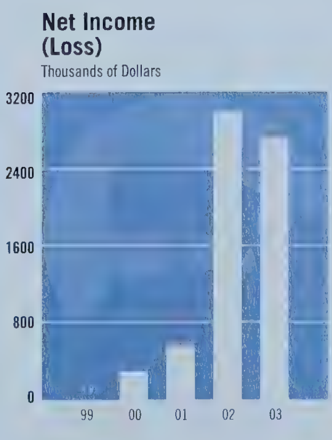
Interest on bank debt increased to $474,364 for the year ended December 31, 2003 from $230,467 for the year ended December 31, 2002. This increase in interest was the result of an increase of $5,675,000 in bank debt.

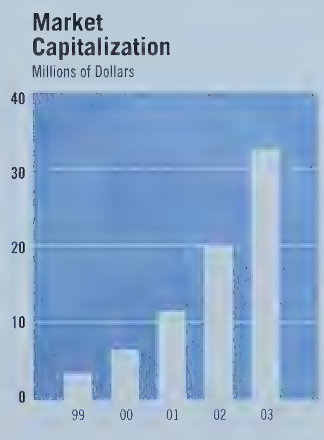
DEPRECIATION, DEPLETION AND AMORTIZATION AND ACCRETION

The provision for depreciation, depletion and amortization of property and equipment increased to $5,840,300 for the year ended December 31, 2003 from $2,291,838 for the year ended December 31, 2002. This increase was the result of increased production from twenty nine new oil wells drilled and/or brought onto production during the year and reserve revisions which decreased constant price proved reserves by 970,000 bbls (49%) thereby increasing Bison's annual depletion rate to 20.2% for the year ended December 31, 2003 from 11.7% for the year ended December 31, 2002.

Effective January 1, 2003, Bison retroactively adopted the new accounting standard for asset retirement obligations as outlined under "Changes in Accounting Policies". The accretion of asset retirement obligations expense increased to $33,882 for the year ended December 31, 2003 from $20,634 for the year ended December 31, 2002. The accretion expense will vary from year to year depending on the present value of the remaining liability to be accreted.







INCOME & CAPITAL TAXES

For the year ended December 31, 2003 Bison recorded a future income tax expense of $826,603 compared to a future income tax expense of $1,131,224 for the year ended December 31, 2002. Bison's future income tax liability increased from $2,731,283 as of December 31, 2002 to $3,557,886 as of December 31, 2003. In 2003, the Federal Government changed the taxation of resource companies. After a period of transition, the applicable tax rates will be reduced, amounts paid for crown royalties will be deductible, and the concept of a resource allowance will be eliminated. These changes had the effect of reducing Bison's future income tax expense by $309,981.

Federal capital tax for the year ended December 31, 2003 totaled $38,615 compared to $11,764 for the year ended December 31, 2002. Saskatchewan capital tax for the year ended December 31, 2003 totaled $24,006 compared to nil for the year ended December 31, 2002. The Saskatchewan Resource Surcharge (net of provincial capital tax of $24,006) for year ended December 31, 2003 totaled $416,686 compared to nil for the year ended December 31, 2002. These taxes became payable as Bison passed the taxable capital thresholds set by the federal government and province of Saskatchewan.

CASH FLOW AND EARNINGS

Cash flow from operations for the year ended December 31, 2003 increased to $9,483,831 ($20.60 per boe) compared to $6,370,794 ($21.07 per boe) the year ended December 31, 2002. Earnings before interest, taxes, depreciation, depletion and amortization and accretion (EBITDA) during the year ended December 31, 2003 increased to $10,437,502 from $6,613,025 for the year ended December 31, 2002. Net income for the year ended December 31, 2003 decreased to $2,783,046 ($0.24 per share) from $2,927,098 ($0.26 per share) for the year ended December 31, 2002.

The following table sets forth the Corporation's production netbacks for three most recently completed financial years.

		2003 ($ per boe)		2002 ($ per boe)		2001 ($ per boe)
Revenue	$	**37.55**	$	34.92	$	29.77
Royalties, net		**(7.58)**		(7.35)		(8.52)
Lease operating expenses		**(5.15)**		(3.29)		(4.65)
Netback	$	**24.82**	$	24.28	$	16.60
G & A expenses		**(2.17)**		(2.41)		(3.42)
Interest		**(1.03)**		(0.76)		(0.68)
Taxes		**(1.04)**		(0.04)		–
Cash flow from operations	$	**20.60**	$	21.07	$	12.50

Netbacks are calculated by subtracting operating costs and royalties from revenue.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL INSTRUMENTS

Capital expenditures on exploration, development and operating activities precede the resulting production and cash flow, often for a significant period. Continued growth and the ability to capitalize on opportunities as they arise currently requires capital resources in excess of funds generated through operating activities. Due to the comparatively high cost of equity relative to debt financing and in keeping with a philosophy of maintaining a reasonable share structure, Bison has chosen to minimize its equity offerings to date. Historically, Bison's primary sources of financing have been bank debt and lower cost equity private placements. Bison's strategy is to fund future exploration and development expenditures and acquisitions through cash flow from operations together with necessary bank debt and the proceeds of limited equity offerings. Management of Bison believes that funds from these sources will be adequate to meet Bison's near-term liquidity needs.

During 2003 stock options were exercised resulting in 175,000 common shares being issued at an exercise price of $0.50 per share for total proceeds of $87,500.

Bison used cash flow from operations, its bank credit facilities and trade payables to finance net capital expenditures of $15,668,447 in 2003. The balance of Bison's bank credit facilities on December 31, 2003 was $11,600,000 (with $5,900,000 of additional available credit) compared to $5,925,000 (with $2,575,000 of additional available credit) on December 31, 2002. Bison's working capital deficit increased $6,097,115 to $13,997,579 as of December 31, 2003 from $7,880,464 as of December 31, 2002.

Bison's financial instruments consist of accounts receivable, accounts payable and accrued liabilities and bank indebtedness. The fair value of these financial instruments approximate their carrying value. Accounts receivable include amounts receivable for natural gas and crude oil sales. These sales are generally made to large credit worthy purchasers. Bison views the credit risk on these accounts as normal for the industry.

FUTURE COMMITMENTS

Bison is committed under an operating lease expiring December 31, 2005, for rent on its premises with annual minimum lease payments of $56,052. Under the terms of the lease, Bison is also required to pay a proportional amount of common area costs, which vary year to year.

Bison is under contract with Enbridge Pipelines to pay during 2004 for the transportation of a minimum of approximately 14,600m^3 of oil through a sales pipeline connection to Bison's Midale Battery at a rate of $2.90 per m^3, a minimum of approximately 32,000m^3 of oil through a sales pipeline connection to Bison's Griffin Battery at a rate of $5.05 per m^3 and a minimum of approximately 36,500m^3 of oil through a sales pipeline connection to Bison's Steelman Battery at a rate of $5.75 per m^3. The Midale Battery contract expires in 2010, the Griffin Battery contract expires in 2007 and the Steelman Battery contract expires in 2008 with the minimum yearly throughput decreasing approximately 15% per year. Bison has no other commitments to buy, sell exchange or transport oil or gas.

CHANGES IN ACCOUNTING POLICIES

Asset Retirement Obligations:

Effective January 1, 2003, Bison retroactively adopted the new accounting standard for asset retirement obligations whereby Bison recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit of production method based on estimated proved reserves. The liability amount is accreted to its present value at the end of each reporting period and the amount of accretion is expensed to income in the period. Actual costs incurred upon the settlement of the ARO are charged against the ARO. Prior to adopting the standard Bison recognized future site restoration costs over the life of the oil and natural gas properties using a unit of production method.

Stock-based Compensation Plan:

Effective January 1, 2002, Canadian accounting standards require disclosure of the impact on net income of using the fair value method for stock options granted to employees on or after January 1, 2002. For fiscal years beginning after January 1, 2004, Canadian accounting standards require that employee stock options granted be recorded at fair value on the date of grant and the associated expense amortized over the vesting period. Bison has chosen to adopt a prospective application of the new standards, effective January 1, 2003, whereby it accounts for awards to employees on or after January 1, 2003 based on the fair value method. No stock options were granted subsequent to January 1, 2003 and as such no compensation expense has been recorded in the current year. For stock options granted prior to January 1, 2003, Bison will continue to provide pro forma disclosure of the effect on net earnings and earnings per share had the fair value been expensed.

Full Cost Accounting Guideline:

Effective January 1, 2003, Bison adopted a new Canadian accounting standard relating to full cost accounting for oil and gas entities. Bison places a limit on the carrying value of property, plant and equipment and other assets, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate. Prior to adopting the new standard, the limit on the aggregate carrying value of the property, plant and equipment and other assets that may be carried forward for depletion against future revenues was based on the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost or market of unproved reserves and the cost of major development projects less the estimated future costs for administration, financing, asset retirement obligations and income taxes. There were no changes to net income, property plant and equipment and other assets or any other reported amounts in the financial statements as a result of adopting the standard.

FORWARD LOOKING STATEMENTS

This disclosure may contain certain forward looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond Bison's control, including: the impact of general economic conditions in Canada and internationally, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Bison's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Bison will derive therefrom.

MANAGEMENT'S REPORT

Management is responsible for the preparation of the financial statements and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors, appointed by the shareholders, have examined the financial statements. The Audit Committee has reviewed the financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.

N Swagor

Nicolas S. Swagor
President

Kevin D. Dumba
Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Bison Resources Ltd. as at December 31, 2003 and 2002 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Calgary, Canada
May 6, 2004

BALANCE SHEET

Restated - Note 2a

December 31, 2003 and 2002		**2003**		2002
ASSETS				
Current assets				
Cash	$	–	$	9,410
Accounts receivable		**1,894,844**		1,516,598
Prepaids and deposits		**103,580**		78,800
		1,998,424		1,604,808
Property, plant and equipment (Note 3)		**27,411,883**		17,356,980
	$	**29,410,307**	$	18,961,788
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**2,434,497**	$	3,548,507
Taxes payable		**479,307**		11,764
Bank indebtedness (Note 4)		**13,062,199**		5,925,000
		15,976,003		9,485,271
Asset retirement obligations (Note 2a)		**586,075**		325,437
Future income tax liability (Note 5)		**3,557,886**		2,731,283
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**2,698,521**		2,611,021
Retained earnings		**6,591,822**		3,808,776
		9,290,343		6,419,797
Commitments (Note 9)	$	**29,410,307**	$	18,961,788

See accompanying notes to financial statements.

Kevin D. Dumba
Director

David G. Anderson
Director

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Restated - Note 2a

Years ended December 31, 2003 and 2002	2003	2002
REVENUE		
Oil and gas revenues	$ 17,286,342	$ 10,536,096
Royalties	(3,489,073)	(2,218,946)
Other income	10,129	18,045
	13,807,398	8,335,195
EXPENSES		
Production	2,369,718	993,957
Depletion, depreciation and amortization	5,840,300	2,291,838
General and administrative	1,000,178	728,213
Interest on long-term debt	474,364	230,467
Accretion of asset retirement obligations	33,882	20,634
	9,718,442	4,265,109
Net income before taxes	4,088,956	4,070,086
TAXES		
Future income tax expense	826,603	1,131,224
Capital taxes	479,307	11,764
	1,305,910	1,142,988
Net income	2,783,046	2,927,098
Retained earnings, beginning of year, as previously recorded	3,766,997	783,665
Adjustment to reflect changes in accounting policy for asset retirement obligations (Note 2a)	41,779	98,013
Retained earnings, beginning of year, restated	3,808,776	881,678
Retained earnings, end of year	$ 6,591,822	$ 3,808,776
Net income per share, basic	$ 0.24	$ 0.26
Net income per share, diluted	$ 0.23	$ 0.24

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Restated - Note 2a

Years ended December 31, 2003 and 2002		**2003**		2002
Cash provided by (used in):				
OPERATIONS				
Net income	**$**	**2,783,046**	$	2,927,098
Add back non-cash items:				
Depletion, depreciation and amortization		**5,840,300**		2,291,838
Accretion of asset retirement obligations		**33,882**		20,634
Future income tax expense		**826,603**		1,131,224
Funds from operations		**9,483,831**		6,370,794
Change in non-cash working capital		**135,484**		(736,372)
		9,619,315		5,634,422
FINANCING				
Increase in bank indebtedness		**7,137,199**		1,865,908
Issue of share capital		**87,500**		–
Share issue costs		**–**		(266)
		7,224,699		1,865,642
INVESTING				
Additions to property, plant and equipment		**(15,668,447)**		(9,618,440)
Change in non-cash working capital		**(1,184,977)**		(2,127,786)
		(16,853,424)		(7,490,654)
Increase (decrease) in cash		**(9,410)**		9,410
Cash, beginning of year		**9,410**		–
Cash, end of year	**$**	**–**	$	9,410
Supplementary disclosure of cash paid for interest	**$**	**474,364**	$	230,467

Cash is comprised of cash and short-term deposits.
See accompanying notes to financial statements.

INCORPORATION AND BASIS OF PRESENTATION:

Bison Resources Ltd. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on May 7, 1997.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Property, plant and equipment:

The Corporation follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas properties and related reserves are capitalized by cost centre. Such costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and natural gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of oil based on their relative energy content.

The Corporation places a limit on the carrying value of property, plant and equipment and other assets, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Proceeds from the sale of oil and natural gas interests are applied against capitalized costs with no gain or loss recognized unless such a sale would significantly alter the rate of depletion and depreciation.

Depreciation of furniture, office equipment and vehicles are provided using the straight-line method based upon estimated useful lives at rates of 15% to 30%.

(b) Interest in joint ventures:

A portion of the Corporation's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

(c) Asset retirement obligations:

The Corporation recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit of production method based on estimated proved reserves. The liability amount is accreted to its present value at the end of each reporting period and the amount of accretion is expensed to income in the period. Actual costs incurred upon the settlement of the ARO are charged against the ARO.

(d) Measurement uncertainty:

The amounts recorded for depletion, depreciation and amortization of oil and natural gas properties and equipment and the fair value calculations for asset retirement obligations are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(e) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. The Corporation uses the treasury-stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the fully diluted calculations. In computing diluted earnings per share, 786,406 net shares were added to the weighted average number of common shares outstanding during the year ended December 31, 2003 (2002 – 708,556 net shares) for the dilutive effect of employee stock options.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and the future income tax liability is increased by the estimated cost of the renounced tax deductions in the period they are renounced.

Stock-based compensation plan:

The Corporation has a stock-based compensation plan, which is described in note 6 (c). Proceeds from the issuance of stock upon the exercise of stock options are credited to share capital. Effective January 1, 2003 stock options granted to consultants and employees are accounted for using the fair value method whereby the fair value of the options granted is determined using an option pricing model and charged to earnings over the vesting period of the options.

Revenue from the sale of oil and natural gas are recorded based on volumes delivered to customers at contractual delivery points and rates. The costs associated with delivery including operating and maintenance costs, transportation and production based royalty expenses are recognized in the same period which the related revenue is earned and recorded.

The Corporation follows the asset and liability method of accounting for future income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

2. CHANGE IN ACCOUNTING POLICIES:

Effective January 1, 2003, the Corporation retroactively adopted the new accounting standard for asset retirement obligations as outlined in Note 1(c). Prior to adopting the standard the Corporation recognized future site restoration costs over the life of the oil and natural gas properties using a unit of production method. As a result of retroactively adopting the new accounting standard relating to asset retirement obligations, the Corporation restated the prior period balances and recorded an asset retirement obligation liability totaling $325,437, an increase to oil and natural gas properties of $184,916 net of accumulated depletion and depreciation, an increase to retained earnings of $41,779 to reflect the cumulative impact of accretion and depletion expense, less the previously recorded cumulative site restoration provision and a decrease of $0.01 to earnings per share (basic and diluted). During the current year, the Corporation recorded an additional asset retirement obligation liability totaling $260,638, with a corresponding increase to oil and natural gas properties, accretion expense of $33,882 and an increase of $0.01 to earnings per share (diluted).

b) Stock based compensation:

Effective January 1, 2002, Canadian accounting standards require disclosure of the impact on net income of using the fair value method for stock options granted to employees on or after January 1, 2002. For fiscal years beginning after January 1, 2004, Canadian accounting standards require that employee stock options granted be recorded at fair value on the date of grant and the associated expense amortized over the vesting period. The Corporation has chosen to adopt a prospective application of the new standards as noted in Note 1(g), effective January 1, 2003, whereby it accounts for awards to employees

on or after January 1, 2003 based on the fair value method. No stock options were granted subsequent to January 1, 2003 and as such no compensation expense has been recorded in the current year. For stock options granted prior to January 1, 2003, the Corporation will continue to provide pro forma disclosure of the effect on net earnings and earnings per share had the fair value been expensed.

(c) Full cost accounting guideline:

Effective January 1, 2003, the Corporation adopted a new Canadian accounting standard relating to full cost accounting for oil and gas entities, as outlined in Note 1(a). Prior to adopting the new standard, the limit on the aggregate carrying value of the property, plant and equipment and other assets that may be carried forward for depletion against future revenues was based on the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost or market of unproved reserves and the cost of major development projects less the estimated future costs for administration, financing, asset retirement obligations and income taxes. There were no changes to net income, property plant and equipment and other assets or any other reported amounts in the financial statements as a result of adopting the standard.

3. PROPERTY, PLANT AND EQUIPMENT:

2003	**Cost**	**Accumulated depletion and depreciation**	**Net book value**
Oil and natural gas assets	$ 38,110,461	$ 10,755,100	$ 27,355,361
Other equipment	126,271	69,749	56,522
	$ 38,236,732	$ 10,824,849	$ 27,411,883
2002			
Oil and natural gas assets	$ 22,230,599	$ 4,933,300	$ 17,297,299
Other equipment	110,930	51,249	59,681
	$ 22,341,529	$ 4,984,549	$ 17,356,980

The depletion calculation has excluded unproved properties of $1,198,959 (2002 – $1,301,075).

Under the new full cost accounting guideline AcG-16, as outlined in Note 1(a), the oil and natural gas future prices used in the ceiling test were obtained from third parties and represent management's best estimate of the future pricing environment for the Corporation as at December 31, 2003. As of December 31, 2003, no write down was required.

The following table provides the commodity price assumptions used in determining the ceiling test valuation.

Year	**Corporation's Adjusted Oil Price C$ / bbl**	**Average Edmonton Posted 40 API Oil C$ / bbl**	**Corporation's Adjusted Natural Gas Price C$ / mcf**	**Alberta Average Spot Gas C$ / MMBtu**
2004	36.56	40.28	6.00	6.60
2005	34.43	40.28	5.66	6.60
2006	34.44	40.28	5.60	6.60
2007	34.60	40.28	5.66	6.60
2008	34.65	40.28	5.71	6.60
2009 – 2014 (1)	0.21%	0.00%	(0.88%)	0.00%
Remainder (2)	(0.01%)	0.00%	0.00%	0.00%

(1) Percentage change represents the averge for the period noted.

(2) Percentage change represents the change in each year after 2014 to the end of the reserve life.

4. BANK INDEBTEDNESS:

The bank debt is comprised of a revolving demand loan with an authorized borrowing base of $13,500,000, bearing interest at prime plus 1/4% per annum with interest payable monthly and a non-revolving acquisition / development term demand loan with an authorized borrowing base of $4,000,000, bearing interest at prime plus 3/4% per annum with interest payable monthly and monthly principal repayments to be determined on May 1, 2004. The bank debt is secured by a general assignment of book debt, and a $50,000,000 demand debenture conveying a first floating charge over all assets. The revolving demand loan is available in cash advances, revolving in multiples of $25,000 Canadian dollars and Bankers Acceptances, in multiples of $100,000 Canadian dollars. As at December 31, 2003 the revolving demand loan had a balance of $1,600,000 in cash advances (with an additional $1,462,199 in outstanding cheques) and $10,000,000 in Bankers Acceptances. As at December 31, 2003, the non-revolving term demand loan had a balance of nil.

At December 31, 2003, the Corporation was not in compliance with a covenant, which requires that its working capital ratio shall not be less than 1:1. However, this default was rectified by January 30, 2004 as required by the terms and conditions set out in the Corporation's banking agreement.

5. INCOME TAXES:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 43.3% to income before income taxes. The difference relates to the following items:

	2003	2002
Statutory tax rate	**43.3%**	44.6%
Expected expense (recovery)	**$ 1,770,518**	$ 1,840,339
Non-deductible crown charges, net ARTC	**351,488**	217,736
Resource allowance	**(988,713)**	(729,358)
Tax effect of tax rate reduction in future years	**(309,981)**	–
Other	**3,291**	1,801
Tax effect of CCRA audit adjustments	–	(199,294)
	$ 826,603	$ 1,131,224

The components of the net future income tax liability at December 31, 2003 and 2002 are as follows:

	2003	2002
Future income tax assets:		
Share issue costs	**$ 1,199**	$ 12,563
Asset retirement obligations	**196,822**	60,979
	198,021	73,542
Future income tax liabilities:		
Property, plant and equipment	**3,755,907**	2,804,825
Net future income tax liability	**$ 3,557,886**	$ 2,731,283

6. SHARE CAPITAL:

(a) Authorized:

Unlimited number of common shares

(b) Common shares issued:

	Number of Shares		Amount
Balance, December 31, 2001	11,381,000		2,611,168
Share issue costs, net of tax effect of $119	–		(147)
Balance, December 31, 2002	11,381,000	$	2,611,021
Stock options exercised	175,000		87,500
Balance, December 31, 2003	11,556,000	$	2,698,521

(c) Outstanding options:

At December 31, 2003, the Corporation had a stock-based compensation plan. The Corporation's Stock Option Plan, as adopted by the Board of Directors, effective June 16, 1998, is described below:

Stock options to purchase common shares may be granted to the directors, officers, employees, key personnel (including consultants) of the Corporation by the Board of Directors of the Corporation.

The maximum number of stock options which may be granted or shares reserved for issuance under the stock option plan shall be limited to a floating amount, being that number of common shares which is equal to 10% of the number of common shares outstanding from time to time and the maximum number of stock options that may be issued to a particular person shall be limited to 5% of the number of common shares outstanding from time to time, provided that subsequent decreases in the number of outstanding shares shall not affect the validity of previously reserved or issued options.

The exercise price for the shares covered by each stock option shall not be lower than the closing price of the common shares on the TSX Venture Exchange on the date prior to the TSX Venture Exchange being notified of the proposed granting of the stock option (or the average price of the common shares for the last ten trading days prior to the TSX Venture Exchange being notified, if such average price exceeds the closing price by 10% or more), less the maximum discount permitted by the TSX Venture Exchange.

The stock options granted shall become exercisable (vested) either in yearly increments or immediately at the time of grant and shall expire on dates selected by the Board of Directors at the date of grant. Each stock option may be exercised, with respect to any of the shares covered thereby, at any time between the date on which it becomes exercisable and the end of the stock option's term.

The optionees shall be protected in the event of any stock split, stock dividend or combination, or any other similar recapitalization or reclassification of the common shares affecting the proportionate rights of holders thereof without direct payment for shares. In any such case, the number of shares then subject to each stock option and the price to be paid therefore shall be so adjusted equitably so that the optionees' proportionate interest shall be maintained without change in aggregate option price. Appropriate provisions shall be made for protection of the optionees rights in the event of any merger, consolidation or reorganization of the Corporation.

The Corporation shall enter into an agreement with each optionee specifying the number of shares under option to such optionee, the exercise dates and expiry dates. Any one director of the Corporation is authorized to execute, on behalf of the Corporation and under its corporate seal, each such agreement.

Subject to the receipt of any necessary approvals from the TSX Venture Exchange, the Board of Directors may amend or discontinue the Stock Option Plan at any time, but no such amendment may alter or impair any options previously granted except with the written consent of the holder of the option.

A summary of the status of the Corporation's Stock Option Plan as of December 31, 2003 and 2002, and changes during the years ending on those dates, is presented below:

		2003			2002
	Number of options	**Average exercise price**	Number of options		Average exercise price
Balance, beginning of year	**1,138,100**	**0.50**	1,083,500	$	0.45
Granted	–	–	54,600		1.60
Exercised	**175,000**	**0.50**	–		–
Canceled	–	–	–		–
Balance, end of year	**963,100**	**$ 0.50**	1,138,100	$	0.50
Exercisable at year end	**963,100**	**$ 0.50**	1,138,100	$	0.50

As of December 31, 2003, 275,000 (2002 – 275,000) stock options outstanding under the Corporation's Stock Option Plan have an exercise price of $0.20; 200,000 (2002 – 200,000) have an exercise price of $0.25; 73,500 (2002 – 73,500) have an exercise price of $0.30; 360,000 (2002 – 360,000) have an exercise price of $0.75 and the remaining 54,600 (2002 – 54,600) have an exercise price of $1.60. The 963,100 (2002 – 1,138,100) stock options have a weighted-average remaining contractual life of 1.6 (2002 – 2.2) years.

(b) Stock based compensation:

`Had compensation cost for the Corporation's stock-based compensation plan been determined based on the fair value of the options at the grant dates for awards under the plan from January 1, 2002 to December 31, 2002, using the black Scholes Model and assuming a risk-free interest rate of 5.3% and a volatility of 75%, the Corporations net income and earnings per share would not have been materially different from those reported.

7. FINANCIAL INSTRUMENTS:

The Corporation's financial instruments consist of accounts receivable, accounts payable and accrued liabilities, and bank indebtedness. The fair value of these financial instruments approximate their carrying value. Accounts receivable include amounts receivable for oil and natural gas sales. These sales are generally made to large credit worthy purchasers. The Corporation views the credit risk on these accounts as normal for the industry.

8. RELATED PARTY TRANSACTIONS:

Included in accounts receivable is $242 (2002 – $1,955) due from companies controlled by officers and directors of the Corporation. Included in accounts payable is $3,567 (2002 – $49,600) due to an officer and director and a company controlled by an officer and director of the Corporation. The above balances resulted from expenses paid by the Corporation on behalf of the related parties and expenses paid by the related parties on behalf of the Corporation in the normal course of operations.

9. COMMITMENTS:

The Corporation is committed under an operating lease expiring December 31, 2005, for rent on its premises with annual minimum lease payments of $56,052. Under the terms of the lease, the Corporation is also required to pay a proportional amount of common area costs, which vary year to year. The Corporation is under contract with Enbridge Pipelines to pay during 2004 for the transportation of a minimum of approximately 14,600m^3 of oil through a sales pipeline connection to the Corporation's Midale Battery at a rate of $2.90 per m^3, a minimum of approximately 32,000m^3 of oil through a sales pipeline connection to the Corporation's Griffin Battery at a rate of $5.05 per m3 and a minimum of approximately 36,500m^3 of oil through a sales pipeline connection to the Corporation's Steelman Battery at a rate of $5.75 per m^3. The Midale Battery contract expires in 2010, the Griffin Battery contract expires in 2007 and the Steelman Battery contract expires in 2008 with the minimum yearly throughput decreasing approximately 15% per year. The Corporation has no other commitments to buy, sell exchange or transport oil or gas.

10. COMPARATIVE FIGURES:

Certain comparative amounts have been reclassified to conform with current year's presentation.

CORPORATE INFORMATION

DIRECTORS

David G. Anderson [1]
President
Winsome Capital Inc.

Kevin D. Dumba [1]
Vice President Finance
Bison Resources Ltd.

R. Bradley Hurtubise [1]
Managing Director, Corporate Finance
Tristone Capital Inc.

Nicolas S. Swagor
President
Bison Resources Ltd.

[1] Member of Audit Committee

OFFICERS AND KEY PERSONNEL

Nicolas S. Swagor
President

Kevin D. Dumba
Vice President Finance

Barrie Regan
Vice President Exploration

Leslie L. Wybert
Officer Manager

Chris N. Pederson
Field Foreman

HEAD OFFICE

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Facsimile: (403) 266-8886
Website: www.bisonresources.com

SHARE CAPITAL

Authorized: Unlimited number of Class "A" Common Shares, and unlimited number of first and second preferred shares

Issued and outstanding: 11,556,000 (12,519,100 fully diluted)

STOCK EXCHANGE LISTING

TSX Venture Exchange
Symbol: BIS.A

MARKET INFORMATION

Common Share Price

High	$ 3.00
Low	$ 1.67
Close	$ 2.62

Common Shares Traded

First quarter	921,640
Second quarter	764,494
Third quarter	616,372
Fourth quarter	579,785
Year	2,882,291

Year-end shares outstanding
11,556,000

Weighted average shares outstanding
11,498,466

REGISTRAR & LISTING AGENT

Computershare Trust Company of Canada

BANKING

National Bank of Canada

AUDITORS

KPMG LLP

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